

CITY OF ALTON, IOWA  
Alton, Iowa

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended  
June 30, 2013

**CITY OF ALTON, IOWA  
TABLE OF CONTENTS**

Officials .....		<b>Page</b> 1
Independent Auditor's Report .....		2-3
Management's Discussion and Analysis .....		4-8
Basic Financial Statements:	<b>Exhibit</b>	
Government-wide Financial Statement:		
Statement of Activities and Net Position – Cash Basis .....	A	9-10
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances .....	B	11-12
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances .....	C	13-14
Notes to Financial Statements .....		15-22
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and		
Changes in Balances – Budget and Actual (Cash Basis) – All		
Governmental Funds and Proprietary Funds .....		23
Notes to Other Information – Budgetary Reporting .....		24
Other Supplementary Information	<b>Schedule</b>	
Combining Schedule of Cash Receipts, Disbursements and Changes in		
Cash Balances – Nonmajor Governmental Funds .....	1	25-26
Independent Auditors' Report on Internal Control		
Over Financial Reporting and on Compliance and Other Matters		
Based on an Audit of Financial Statements Performed in Accordance		
With Government Auditing Standards .....		27-28
Schedule of Findings .....		29-30

**CITY OF ALTON, IOWA**

**OFFICIALS**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Ron Minten	Mayor	December, 2013
Blake Bengard	Mayor Pro-Tem	December, 2013
Leon Kleinhesselink	Council Member	December, 2015
Jerry De Wit	Council Member	December, 2013
Matthew Laverman	Council Member	December, 2013
Steve Zenor	Council Member	December, 2015
Dale Oltmans	City Administrator	No Term Limit
Laurie Stoos	Deputy Clerk	No Term Limit
Brad DeJong	Attorney	December, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
Alton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the City of Alton, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Iowa, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Supplementary and Other Information*

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 23 through 24 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

The supplementary information included as Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2013 on our consideration of the City of Alton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Alton's internal control over financial reporting and compliance.

*William & Company P.C.*  
Certified Public Accountants

Le Mars, Iowa

November 21, 2013

**CITY OF ALTON, IOWA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

The City of Alton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2013 FINANCIAL HIGHLIGHTS**

- Receipts of the General Fund increased \$3,815.
- Disbursements of the General Fund decreased \$44,009 for fiscal year 2013 due to fewer capital expenditures for the Community Center, and storm sirens in Emergency Management.
- The City's total General Fund cash basis net position decreased \$70,034 for fiscal year 2013. This is due to reduced amount of funds transferred in from Local Option Taxes, as well as budgeting to reduce the large cash balance in the General Fund.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the City's nonmajor governmental funds.

**BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position on a cash basis. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax, state and federal grants, and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

### Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Gas Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, to \$1,277,255 from \$721,428. The analysis that follows focuses on the changes in cash balances for governmental activities and business-type activities.

**Changes in Cash Basis Net Position of Governmental Activities**

	Year Ended June 30,	
	2013	2012
Receipts:		
Program Receipts:		
Charges for Service .....	\$125,847	\$134,968
Operating Grants & Contributions .....	183,994	159,053
General Receipts		
Property Tax .....	448,541	439,908
Tax Increment Financing Collections .....	394,695	379,446
Local Option Sales Tax .....	142,340	129,891
Interest .....	3,006	4,169
Other General Receipts .....	29,661	77,947
Sale of Assets .....	-	627
Proceeds from Financing .....	870,000	-
Total Receipts	2,198,084	1,326,009
Disbursements:		
Public Safety .....	197,509	185,800
Public Works .....	220,040	193,667
Health and Social Services .....	29,380	6,399
Culture and Recreation .....	140,316	194,050
Community and Economic Development .....	71,244	76,576
General Government .....	92,542	91,228
Debt Service .....	655,831	362,761
Capital Projects .....	250,855	314,000
Total Disbursements	1,657,717	1,424,481
Change in Cash Basis Net Position Before Transfers	540,367	(98,472)
Net Transfers .....	15,460	83,472
Cash Basis Net Position – Beginning of Year .....	662,901	677,901
Prior Period Adjustment .....	58,527	-
Cash Basis Net Position – Beginning of Year Restated .....	721,428	677,901
Cash Basis Net Position – End of Year .....	\$1,277,255	\$662,901

**Changes in Cash Basis Net Position of Business Type Activities**

	2013	2012
Receipts:		
Operating Receipts:		
Water .....	\$244,112	\$226,496
Electric .....	876,617	803,280
Sewer .....	128,623	117,706
Gas .....	451,688	424,207
Interest .....	9,322	13,094
Proceeds from Financing .....	20,000	-
Total Receipts	1,730,362	1,584,783
Disbursements:		
Operating Disbursements:		
Water .....	219,769	232,224
Electric .....	903,766	850,731
Sewer .....	95,533	158,184
Gas .....	447,323	405,139
Total disbursements	1,666,391	1,646,278
Change in Cash Basis Net Position, Before Transfers .....	63,971	(61,495)
Net Transfers .....	(15,460)	(83,472)
Cash Basis Net Position – Beginning of Year .....	1,676,978	1,821,945
Cash Basis Net Position – End of Year .....	\$1,725,489	\$1,676,978



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alton completed the year, its governmental funds reported a combined cash balance of \$1,277,255, an increase of \$555,827 over last year's total of \$721,428.

The cash balance in the General fund decreased by approximately \$70,000 during 2013 due primarily to fewer transfers in during 2013. All other major governmental funds remained consistent with the prior year.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Alton completed the year, its business type funds reported a combined cash balance of \$1,725,489, an increase of \$48,511 over last year's total of \$1,676,978. The following are the major reasons for the changes in cash balances of the business type funds from the prior year.

Increased revenues due to higher usage and increased rates. Also, there were less capital projects completed resulting in fewer disbursements.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This amendment was approved on June 25, 2013 and resulted in an increase in budgeted disbursements of \$803,409.

## DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2013 to June 30, 2012 follows:

	Year Ended June 30,	
	2013	2012
G.O. Bonds and Notes .....	\$ 2,030,000	\$ 1,750,000
Water Revenue Bonds .....	71,000	77,000
Gas Revenue Bonds .....	639,000	660,000
Total	<u>\$ 2,740,000</u>	<u>\$ 2,487,000</u>

Additional information on the City's long-term debt can be found in Note 3.

## ECONOMIC FACTORS

The City purchased a \$15,000 snowplow for streets.

The City provided financial incentives to a party who constructed and started operating an interior design and flooring retail store.

The City completed overlay and sealing of several streets at a cost of \$34,400.

The City completed a sidewalk/bike trail connecting the new housing subdivisions with the rest of the City at a cost of \$16,344.

The City provided financial incentives to the City of Orange City towards a new nursing home.

Five new residential housing units were completed.

Three new commercial buildings were constructed.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Dale Oltmans, City Administrator, Alton, Iowa.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ALTON, IOWA**  
**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**  
**For the Year Ended June 30, 2013**

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental Activities:			
Public Safety	\$ 197,509	\$ 9,403	\$ 38,707
Public Works	220,040	76,051	116,451
Health and Social Services	29,380	-	-
Culture and Recreation	140,316	11,431	28,836
Community and Economic Development	71,244	-	6,252
General Government	92,542	29,112	-
Capital Outlay	250,855	-	-
Debt Service:			
Principal	590,000	-	-
Interest	65,831	-	-
Total Governmental Activities	1,657,717	125,997	190,246
<b>Business-Type Activities:</b>			
Electric Utility	903,766	876,617	-
Sewer Utility	95,533	128,623	-
Water Utility	219,769	244,112	-
Gas Utility	447,323	451,688	-
Total Business-Type Activities:	1,666,391	1,701,040	-
<b>Total Primary Government</b>	<b>3,324,108</b>	<b>1,827,037</b>	<b>190,246</b>

General Receipts:  
 Property taxes  
 Tax Increment Financing  
 Local Option Sales Tax  
 Contributions  
 Interest  
 Miscellaneous  
 Proceeds from Financing  
 Interfund Transfers  
 Total general receipts and transfers  
 Change in cash basis net position  
 Net position cash basis - beginning  
 Prior period adjustment  
 Cash basis net position - beginning, as restated  
 Cash basis net position, ending

Cash Basis Net Position  
 Restricted:  
 Streets  
 Urban Renewal Purpose  
 Debt Service  
 Local Option Sales Tax  
 Employee Benefits  
 Other Purposes  
 Unrestricted  
 Total Cash Basis Net Position

See Accompanying Notes to Financial Statements

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (149,399)		\$ (149,399)
(27,538)		(27,538)
(29,380)		(29,380)
(100,049)		(100,049)
(64,992)		(64,992)
(63,430)		(63,430)
(250,855)		(250,855)
(590,000)		(590,000)
(65,831)		(65,831)
<u>(1,341,474)</u>		<u>(1,341,474)</u>
	(27,149)	(27,149)
	33,090	33,090
	24,343	24,343
	4,365	4,365
	<u>34,649</u>	<u>34,649</u>
<u>(1,341,474)</u>	<u>34,649</u>	<u>(1,306,825)</u>
448,541	-	448,541
394,695	-	394,695
142,340	-	142,340
-	-	-
3,006	9,322	12,328
23,259	-	23,259
870,000	20,000	890,000
15,460	(15,460)	-
<u>1,897,301</u>	<u>13,862</u>	<u>1,911,163</u>
555,827	48,511	604,338
662,901	1,676,978	2,339,879
58,527	-	58,527
721,428	1,676,978	2,398,406
<u>1,277,255</u>	<u>1,725,489</u>	<u>3,002,744</u>
95,987	-	95,987
60,153	-	60,153
440,987	76,676	517,663
134,483	-	134,483
13,381	-	13,381
-	-	-
532,264	1,648,813	2,181,077
<u>\$ 1,277,255</u>	<u>\$ 1,725,489</u>	<u>\$ 3,002,744</u>

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
Governmental Funds  
As of and For the Year Ended June 30, 2013

	General	Special Revenue	
		Local Option Sales Tax	Tax Increment Financing
Receipts:			
Property Taxes	\$ 252,475	\$ -	\$ -
Tax Increment Financing	-	-	315,776
Licenses and Permits	17,268	-	-
Intergovernmental	34,178	142,340	-
Charges for Services	83,067	-	-
Fines	2,143	-	-
Special Assessments	-	-	-
Rental of City Property	11,335	-	-
Interest on Investments	1,362	-	489
Miscellaneous	47,554	-	-
Total Receipts	449,382	142,340	316,265
Disbursements:			
Public Safety	197,509	-	-
Public Works	96,217	-	-
Health and Social Services	13,040	-	-
Culture and Recreation	130,595	-	-
Community and Economic Development	29,315	-	113
General Government	76,820	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Total Disbursements	543,496	-	113
Excess (Deficiency) of Receipts to Disbursements	(94,114)	142,340	316,152
Other financing sources (uses):			
Proceeds from Debt Financing	-	-	-
Transfers In	97,426	-	-
Transfers Out	(73,346)	(90,000)	(370,721)
Total other financing sources (uses)	24,080	(90,000)	(370,721)
Change in Cash Balances	(70,034)	52,340	(54,569)
Cash Balances Beginning of Year	151,484	82,143	57,312
Prior Period Adjustment	58,527	-	-
Cash Balances Beginning of Year, Restated	210,011	82,143	57,312
Cash Balances End of Year	\$ 139,977	\$ 134,483	\$ 2,743
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Economic Development	46,815	-	2,743
Streets	-	-	-
Employee Benefits	-	-	-
Other Purposes	-	134,483	-
Assigned to:			
Capital Equipment	-	-	-
Capital Improvements	-	-	-
Library	33,953	-	-
Fire Department	42,178	-	-
Unassigned	17,031	-	-
Total Cash Basis Fund Balances	\$ 139,977	\$ 134,483	\$ 2,743

See Accompanying Notes to Financial Statements

Capital Project					Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds				
Capital Equipment	Capital Streets	Industrial Park	Housing Rehabilitation								
\$	-	\$	-	\$	-	\$	180,179	\$	15,887	\$	448,541
	-		-		-		-		78,919		394,695
	-		-		-		-		-		17,268
	-		-		-		-		116,451		292,969
	-		-		-		-		-		83,067
	-		-		-		-		-		2,143
	-		-		-		12,160		-		12,160
	-		1,265		-		-		-		12,600
	552		6		73		419		105		3,006
	-		-		-		-		7,829		61,635
	552		6		73		192,758		219,191		1,328,084
	-		-		-		-		-		197,509
	-		-		-		6,689		117,134		220,040
	-		-		-		16,340		-		29,380
	-		-		-		-		9,721		140,316
	-		-		-		500		41,316		71,244
	-		-		-		-		15,722		92,542
	5,100		22,711		144,422		-		78,622		250,855
	-		-		-		590,000		-		590,000
	-		-		-		65,831		-		65,831
	5,100		22,711		144,422		-		679,360		262,515
	(4,548)		(22,705)		(136,905)		73		(486,602)		(43,324)
											(329,633)
			150,000				720,000		-		870,000
	64,000		-		162,500		27,281		166,577		163,772
	(24,000)		-		-		-		-		(108,029)
	40,000		150,000		162,500		27,281		886,577		55,743
											885,460
	35,452		127,295		25,595		27,354		399,975		12,419
											555,827
	77,951		5,531		(7,191)		103,827		41,012		150,832
	-		-		-		-		-		662,901
	77,951		5,531		(7,191)		103,827		41,012		-
											58,527
											721,428
\$	113,403	\$	132,826	\$	18,404	\$	131,181	\$	440,987	\$	163,251
											\$
											1,277,255
\$	-	\$	-	\$	-	\$	-	\$	440,987	\$	-
	-		-		-		-		-		440,987
	-		-		-		-		10,595		60,153
	-		-		-		-		95,987		95,987
	-		-		-		-		13,381		13,381
	-		-		-		-		-		134,483
	113,403		-		-		-		-		113,403
	-		132,826		18,404		131,181		-		73,029
	-		-		-		-		-		355,440
	-		-		-		-		-		33,953
	-		-		-		-		-		42,178
	-		-		-		-		(29,741)		(12,710)
\$	113,403	\$	132,826	\$	18,404	\$	131,181	\$	440,987	\$	163,251
											\$
											1,277,255

See Accompanying Notes to Financial Statements

**CITY OF ALTON, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES**  
**Proprietary Funds**  
**As of and For the Year Ended June 30, 2013**

	<b>Enterprise Funds</b>	
	<b>Electric Utility</b>	<b>Water Utility</b>
Operating Receipts:		
Charges for Services	\$ 876,617	\$ 244,112
Total Operating Receipts	<u>876,617</u>	<u>244,112</u>
Operating Disbursements:		
Operating Disbursements	856,423	211,080
Capital Outlay	47,343	379
Total Operating Disbursements	<u>903,766</u>	<u>211,459</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(27,149)</u>	<u>32,653</u>
Non-Operating Receipts (Disbursements):		
Interest Income	4,193	2,478
Proceeds from Financing	-	-
Interest Expense	-	(2,310)
Principal Payments	-	(6,000)
Total Non-Operating Receipts (Disbursements)	<u>4,193</u>	<u>(5,832)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(22,956)</u>	<u>26,821</u>
Transfers In	122,676	66,492
Transfers Out	<u>(92,500)</u>	<u>(81,250)</u>
Change in Cash Balances	7,220	12,063
Cash Balances Beginning of Year	<u>728,675</u>	<u>356,613</u>
Cash Balances End of Year	<u><u>735,895</u></u>	<u><u>368,676</u></u>
Cash Basis Fund Balances		
Restricted for Debt Service	-	-
Unrestricted	735,895	368,676
Total Cash Basis Fund Balances	<u>\$ 735,895</u>	<u>\$ 368,676</u>

See Accompanying Notes to Financial Statements



Enterprise Funds		
Sewer Utility	Gas Utility	Total
\$ 128,623	\$ 451,688	\$ 1,701,040
128,623	451,688	1,701,040
95,354	364,156	1,527,013
179	5,660	53,561
95,533	369,816	1,580,574
33,090	81,872	120,466
1,434	1,217	9,322
-	20,000	20,000
-	(33,007)	(35,317)
-	(44,500)	(50,500)
1,434	(56,290)	(56,495)
34,524	25,582	63,971
76,966	5,906	272,040
(81,250)	(32,500)	(287,500)
30,240	(1,012)	48,511
310,519	281,171	1,676,978
340,759	280,159	1,725,489
-	76,676	76,676
340,759	203,483	1,648,813
\$ 340,759	\$ 280,159	\$ 1,725,489

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Alton is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, health and social services, community and economic development and general government services. The City also provides water, sewer, electrical, and natural gas utilities for its citizens.

**A. Reporting Entity**

For Financial reporting purposes, the City of Alton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Alton has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Emergency Management Commission, Northwest Iowa Solid Waste, Northwest Iowa Economic Development Coalition, and Northwest Iowa Regional Housing Authority.

**B. Basis of Presentation**

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Restricted net position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Local Option Sales Tax Fund is used to account for local option sales tax collections to be used for specific purposes within the City.

Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Project:

Capital Equipment Fund is used to accumulate resources used for equipment acquisitions.

Capital Streets Fund is used to accumulate resources for repair and maintenance of the City's streets.

Industrial Park Fund is used to accumulate resources for the City's industrial park expansion.

Housing Rehabilitation Fund is used to accumulate resources for the rehabilitation of homes within the City.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

**C. Measurement Focus and Basis of Accounting**

The City of Alton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. This, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the Public Safety, Health & Social Services, Culture and Recreation, and Community and Economic Development functions.

**Note 2 – CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2013 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2013; however the City's time deposits were as follows:

	<u>Maturities</u>	
Nonnegotiable Certificates of Deposit	10/06/13 - 12/13/13	<u>\$ 526,502</u>

**Interest Rate Risk** – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – BONDS AND NOTES PAYABLE**

The following is a summary of bond transactions of the City for the year ended June 30, 2013:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>Bonds and Notes Payable by Debt Service Fund</b>	<b>Bonds and Notes Paid by Enterprise Funds</b>
<b><u>Primary Government</u></b>		
Bonds and notes payable July 1, 2012	\$ 1,750,000	\$ 737,000
Plus: bonds and notes issued	870,000	20,000
Less: payments	(590,000)	(47,000)
Bonds and notes payable June 30, 2013	<u>2,030,000</u>	<u>710,000</u>
Due within one year	<u>\$ 600,000</u>	<u>\$ 39,000</u>

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

In June 2013, the City issued \$475,000 of General Obligation Capital Loan Notes, Series 2013A to fund street repair and maintenance projects. The new note has an outstanding balance of \$475,000 as of June 30, 2013. The 2013 capital loan carries an average interest rate of 2.0%-2.5% over twelve years and matures in 2025.

In June 2013, the City issued \$395,000 of General Obligation Capital Loan Notes, Series 2013B in a crossover advance refunding of the Series 2005 GO Capital Loan Notes. The 2013 note has an average interest rate of 2.0%-2.5% and the 2005 notes being refunded have an average interest rate of 3.40%-4.85%. The net proceeds from the issuance were used to purchase a Certificate of Deposit and were deposited into an escrow account with Community Bank. As of June 30, 2013, the amount held in escrow was \$376,513. This amount will be used to refund the remaining \$360,000 of the 2005 notes in June 2014 when the notes become callable. As a result of this refunding, the City will reduce its debt service payments over the next twelve years by \$26,307, and obtain an economic gain of \$20,775.

The City of Alton had the following outstanding bonds as of June 30, 2013:

Bond/Note	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2013	Due Within One Year
General Obligation-Series 2009A	09/23/09	3.00-4.05%	2020	\$55,000 - \$85,000	\$ 725,000	\$ 540,000	\$ 65,000
General Obligation-Series 2010	06/01/10	1.5-3.05%	2017	\$70,000 - \$150,000	680,000	260,000	60,000
General Obligation-Hospital	11/14/05	3.40-4.85%	2025	\$20,000 - \$35,000	500,000	360,000	360,000
General Obligation-Series 2013A	06/27/13	2.0-2.5%	2025	\$15,000 - \$85,000	475,000	475,000	85,000
General Obligation-Hospital	06/27/13	2.0-2.5%	2025	\$30,000 - \$35,000	395,000	395,000	30,000
Water Revenue Bond	10/15/03	3.00%	2023	\$5,000 - \$8,000	125,000	71,000	6,000
Gas Revenue Bond	09/03/12	4.55%	2027	\$16,000 - \$41,000	680,000	639,000	33,000
Total Bonds Due					\$ 3,580,000	\$ 2,740,000	\$ 639,000

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

Year Ending June 30	Series 2009A 10 <sup>th</sup> Street Bond		Series 2010 GO Bond		Hospital Project Bond		Series 2013A Industrial Park Paving Bond		Refunding Series 2013B Hospital Project		Total Governmental	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 65,000	\$19,400	\$ 60,000	\$ 7,090	\$ 360,000	\$16,513	\$ 85,000	\$6,077	\$30,000	\$7,445	\$ 600,000	\$ 56,521
2015	70,000	17,320	60,000	5,680	-	-	90,000	5,700	35,000	7,575	255,000	36,271
2016	75,000	15,080	70,000	4,270	-	-	95,000	4,800	35,000	7,050	275,000	31,201
2017	80,000	12,643	70,000	2,136	-	-	85,000	3,850	35,000	6,438	270,000	25,081
2018	80,000	9,843	-	-	-	-	15,000	2,625	35,000	5,825	130,000	18,291
2019-2023	170,000	10,285	-	-	-	-	75,000	6,750	165,000	19,100	410,000	36,131
2024-2028	-	-	-	-	-	-	30,000	1,125	60,000	2,250	90,000	3,371
Total	\$540,000	\$84,571	\$260,000	\$19,176	\$360,000	\$16,513	\$475,000	\$30,927	\$395,000	\$55,683	\$2,030,000	\$206,891

CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

Year Ending June 30	Gas Utility Revenue Note		Water Revenue Bond		Total Business Type Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 33,000	\$ 28,688	\$ 6,000	\$ 2,130	\$ 39,000	\$ 30,818
2015	33,000	27,186	6,000	1,950	39,000	29,136
2016	38,000	25,639	7,000	1,770	45,000	27,409
2017	38,000	23,910	7,000	1,560	45,000	25,470
2018	38,000	22,181	7,000	1,350	45,000	23,531
2019 – 2023	225,000	82,105	38,000	3,510	263,000	85,615
2024 – 2028	234,000	25,344	-	-	234,000	25,344
Total	\$ 639,000	\$235,053	\$ 71,000	\$12,270	\$ 710,000	\$247,323

The City has pledged future water utility receipts, net of specified operating disbursements, to repay \$125,000 of water revenue bonds issued in October 2003. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2023. The total principal and interest remaining to be paid on the bond is \$83,270. For the current year, principal and interest paid and total customer net receipts were \$8,310 and \$35,131, respectively.

The City has pledged future gas utility receipts, net of specified operating disbursements, to repay gas revenue bonds. These bonds were originally issued at \$680,000 in March 2009 and were refinanced in June 2013, adding an additional \$20,000 to the bond. The bond carries an interest rate of 4.55% and matures in 2027. Proceeds from the bonds provided financing for acquisition of the City's gas infrastructure. The bonds are payable solely from gas customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the bond is \$874,053. For the current year, principal and interest paid and total customer net receipts were \$77,507 and \$83,089, respectively.

The resolution providing for the issuance of the gas revenue bond includes the following provisions:

- (a) The bond will only be redeemed from future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the gas bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The Reserve Fund shall be used to maintain the Reserve Fund Requirement per the resolution. In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this Resolution to be deposited in such month in the Sinking Fund.
- (d) Additional monthly transfers of \$500 to a Gas Improvement Fund within the Enterprise Funds shall be made until specific minimum balances have been accumulated. Money in this account shall be used solely for the purpose of paying the cost of capital maintenance expenses or repairs to the System, including metering and billing systems, if necessary. Whenever it shall become necessary to so use the money in the Improvement Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

The City complied with these provisions.

**CITY OF ALTON, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 – PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

The City's payroll for employees covered by the System for the year ended June 30, 2013 was \$335,597. The total City payroll for the fiscal year was \$369,405. All full-time City employees are eligible to participate in IPERS. Benefits vest after 4 years (or 16 quarters) of service or when the employee attains the age of 55, whichever comes first. Employees are eligible to retire at or after age 55 and are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated on an average of their highest 3 year average salary. IPERS also provides death and disability benefits.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$29,133, \$28,063, and \$21,712, respectively, equal to the required contributions for each year.

**NOTE 5 – RISK MANAGEMENT**

The City of Alton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Alton assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

Transfers In	Transfers Out									
	General	TIF	Local Option Sales Tax	Capital Equipment	Nonmajor Governmental	Electric	Water	Sewer	Gas	Total
General	\$ -	\$ -	\$ 90,000	\$ -	\$ 7,426	\$ -	\$ -	\$ -	\$ -	\$ 97,426
Debt Service	-	166,577	-	-	-	-	-	-	-	166,577
Capital										
Equipment	36,000	-	-	-	6,000	6,000	5,000	5,000	6,000	64,000
Industrial Park	2,500	-	-	-	-	60,000	50,000	50,000	-	162,500
Housing										
Rehabilitation	-	75	-	-	27,206	-	-	-	-	27,281
Nonmajor										
Governmental	34,846	28	-	-	23,398	26,500	26,250	26,250	26,500	163,772
Electric	-	76,104	-	24,000	22,572	-	-	-	-	122,676
Water	-	49,206	-	-	17,286	-	-	-	-	66,492
Sewer	-	72,825	-	-	4,141	-	-	-	-	76,966
Gas	-	5,906	-	-	-	-	-	-	-	5,906
Total	\$ 73,346	\$370,721	\$ 90,000	\$ 24,000	\$ 108,029	\$92,500	\$81,250	\$ 81,250	\$ 32,500	\$ 953,596



**CITY OF ALTON, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 6 – INTERFUND TRANSFERS (CONTINUED)**

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.
3. TIF transfers are used to repay debt obligations from enterprise funds.

**NOTE 7 – PRIOR PERIOD ADJUSTMENT**

The City of Alton's fire department was not included in the general fund activity in the prior year, but is now included. Therefore, cash balances at the beginning of the year for the general fund have been changed to include the fire department's beginning cash balance of \$58,527. Beginning cash of \$151,484 has been increased to \$210,011 to reflect the fire department's beginning cash. Total governmental funds beginning cash of \$662,901 has been increased to \$721,428 to reflect this change.

**NOTE 8 – DEFICIT FUND BALANCES**

The City has one fund with a deficit fund balance at June 30, 2013. The City intends to finance the deficit in the Residential Development fund with future receipts from property taxes.

The fund deficit was as follows:

Capital Project – Residential Development	\$29,741
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## OTHER INFORMATION

CITY OF ALTON, IOWA  
OTHER INFORMATION  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL  
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property Taxes	\$ 448,541	\$ -	\$ 448,541	\$ 446,667	\$ 446,667	\$ 1,874
TIF Revenue	394,695	-	394,695	388,404	393,435	1,260
Licenses and Permits	17,268	-	17,268	14,605	16,405	863
Intergovernmental	292,969	-	292,969	323,875	323,875	(30,906)
Charges for Services	83,067	1,701,040	1,784,107	1,873,104	1,875,954	(91,847)
Special Assessments	12,160	-	12,160	7,995	11,600	560
Rental of City Property	12,600	-	12,600	-	-	12,600
Interest on Investments	3,006	9,322	12,328	31,100	34,665	(22,337)
Miscellaneous	63,778	-	63,778	62,550	77,600	(13,822)
Total Receipts	1,328,084	1,710,362	3,038,446	3,148,300	3,180,201	(141,755)
Disbursements						
Public Safety	197,509	-	197,509	161,852	161,852	(35,657)
Public Works	220,040	-	220,040	208,164	230,145	10,105
Health and Social Services	29,380	-	29,380	11,300	12,300	(17,080)
Culture and Recreation	140,316	-	140,316	127,673	137,173	(3,143)
Community and Economic Development	71,244	-	71,244	61,973	64,373	(6,871)
General Government	92,542	-	92,542	87,501	101,379	8,837
Capital Projects	250,855	-	250,855	46,000	299,150	48,295
Debt Service	655,831	-	655,831	351,830	853,330	197,499
Business Type / Enterprises	-	1,666,391	1,666,391	2,084,619	2,084,619	418,228
Total Disbursements	1,657,717	1,666,391	3,324,108	3,140,912	3,944,321	620,213
Excess (Deficiency) of receipts over disbursements	(329,633)	43,971	(285,662)	7,388	(764,120)	478,458
Other financing sources (uses):						
Proceeds from Debt Financing	870,000	20,000	890,000	-	1,076,658	(186,658)
Transfers In	681,556	272,040	953,596	650,917	742,899	210,697
Transfers (Out)	(666,096)	(287,500)	(953,596)	(650,917)	(742,899)	(210,697)
Total other financing sources (uses)	885,460	4,540	890,000	-	1,076,658	(186,658)
Excess of receipts and other financing sources over disbursements and other financing uses	555,827	48,511	604,338	7,388	312,538	291,800
Balances Beginning of Year	721,428	1,676,978	2,398,406	2,398,406	2,398,406	-
Balances End of Year	\$ 1,277,255	\$ 1,725,489	\$ 3,002,744	\$ 2,405,794	\$ 2,710,944	\$ 291,800

**CITY OF ALTON, IOWA  
NOTES TO OTHER INFORMATION –  
BUDGETARY REPORTING  
JUNE 30, 2013**

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The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by \$803,409. The budget amendment is reflected in the final budgeted amounts. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Public Safety, Health and Social Services, Culture and Recreation, and Community and Economic Development functions.

## **OTHER SUPPLEMENTARY INFORMATION**

## CITY OF ALTON, IOWA

## COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES

## Governmental Nonmajor Funds

As of and For the Year Ended June 30, 2013

	Special Revenue Funds		
	Road Use Tax	Employee Benefits	Housing TIF
Receipts:			
Property Taxes	\$ -	\$ 15,887	\$ -
Tax Increment Financing	-	-	78,919
Intergovernmental	116,451	-	-
Interest on Investments	-	-	-
Miscellaneous	-	-	-
Total Receipts	116,451	15,887	78,919
Disbursements:			
Public Works	87,808	29,326	-
Culture and Recreation	-	9,721	-
Community and Economic Development	-	5,502	-
General Government	-	15,722	-
Capital Projects	-	-	-
Total Disbursements	87,808	60,271	-
Excess (Deficiency) of Receipts over Disbursements	28,643	(44,384)	78,919
Other financing sources (uses):			
Transfers In	-	51,244	-
Transfers Out	(29,398)	-	(78,631)
Total other financing sources (uses)	(29,398)	51,244	(78,631)
Change in Cash Balances	(755)	6,860	288
Cash Balances Beginning of Year	96,742	6,521	10,307
Cash Balances End of Year	\$ 95,987	\$ 13,381	\$ 10,595
Cash Basis Fund Balances			
Restricted for:			
Economic Development	\$ -	\$ -	\$ 10,595
Streets	95,987	-	-
Employee Benefits	-	13,381	-
Assigned to:			
Capital Improvements	-	-	-
Unassigned	-	-	-
Total Cash Basis Fund Balances	\$ 95,987	\$ 13,381	\$ 10,595

Capital Project Funds			Total Governmental Nonmajor Funds
Parks & Trails	Residential Development	Capital Building	
\$ -	\$ -	\$ -	\$ 15,887
-	-	-	78,919
-	-	-	116,451
94	-	11	105
7,829	-	-	7,829
7,923	-	11	219,191
-	-	-	117,134
-	-	-	9,721
-	35,814	-	41,316
-	-	-	15,722
16,334	-	62,288	78,622
16,334	35,814	62,288	262,515
(8,411)	(35,814)	(62,277)	(43,324)
2,000	28	110,500	163,772
-	-	-	(108,029)
2,000	28	110,500	55,743
(6,411)	(35,786)	48,223	12,419
31,217	6,045	-	150,832
\$ 24,806	\$ (29,741)	\$ 48,223	\$ 163,251
\$ -	\$ -	\$ -	\$ 10,595
-	-	-	95,987
-	-	-	13,381
24,806	-	48,223	73,029
-	(29,741)	-	(29,741)
\$ 24,806	\$ (29,741)	\$ 48,223	\$ 163,251



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Alton  
Alton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Alton, Iowa's basic financial statements and have issued our report thereon dated November 21, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Alton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alton's internal control. According, we do not express an opinion on the effectiveness of the City of Alton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items II-A-13 and II-B-13 to be a material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we



noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**City of Alton, Iowa's Responses to Finding**

The City of Alton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Alton's responses and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alton during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
November 21, 2013

CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

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**Part I – Summary of the Independent Auditor's Results:**

- (a) Modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**MATERIAL WEAKNESSES:**

**II-A-13 Financial Accounting – Segregation of Duties**

Observation – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

**II-B-13 Financial Reporting**

Observation – During the audit, we identified classification of disbursements and proceeds from a bond issuance that were not properly recorded in the general ledger.

Recommendation – With limited personnel, the City should implement procedures to ensure that all cash disbursements and receipts are properly identified and recorded in the financial statements.

Response – The City will review disbursements and receipts in the future to ensure that they are properly recorded in the financial statements.

Conclusion – Response accepted.

CITY OF ALTON, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

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**Part III – Other Findings Related to Statutory Reporting**

**III-A-13 Certified Budget** – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the Public Safety, Health and Social Services, Culture and Recreation, and Community and Economic Development functions.

**Recommendation** – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response** – The budget will be amended in the future, if applicable.

**Conclusion** – Response accepted.

**III-B-13 Questionable Disbursement** – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

**III-C-13 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-13 Business Transactions** – There were no business transactions between the City and City officials or employees noted.

**III-E-13 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**III-F-13 Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

**III-G-13 Revenue Notes** – The City was in compliance with the requirements of its revenue notes.

**III-H-13 Deposits and Investments** – No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.

**III-I-13 Urban Renewal Annual Report** – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.